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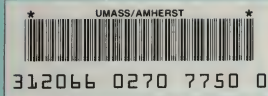
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The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON 02108



A JOSEPH DeNUCCI
AUDITOR

(617) 727-6200

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STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
BOARD OF REGENTS OF HIGHER EDUCATION
JULY 1, 1984 TO JUNE 30, 1986

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The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

TEL (617) 725-2075

A. JOSEPH DeNUCCI
AUDITOR

87-1269-1

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AUDITOR'S REPORT

L. Edward Lashman, Chairman
Board of Regents of Higher Education
John W. McCormack State Office Building
One Ashburton Place, Room 610
Boston, Massachusetts 02108

We have examined the financial statements of the Board of Regents of Higher Education for the two fiscal years ended June 30, 1986, as listed in the Table of Contents. We made our examination in accordance with generally accepted government auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with applicable laws and regulations, as we considered necessary in the circumstances.

As described in the Note to Financial Statements (page 24), the board's records are maintained on a basis prescribed by the Commonwealth of Massachusetts. This basis differs in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present the board's results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present fairly the board's expenditures under appropriations and receipts account of income for the two fiscal years ended June 30, 1986, in conformity with the Commonwealth's

accounting system, which has been applied on a consistent basis. Except as explained in the Audit Results section of this report, the tested items complied with applicable laws and regulations, and our audit procedures revealed nothing that caused us to believe that the untested items did not comply with applicable laws and regulations.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of federal grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule was subjected to the same auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

April 3, 1987


A. JOSEPH DE VRIES
Auditor of the Commonwealth

REPORT ON ADEQUACY OF INTERNAL CONTROL SYSTEM

We have examined the financial statements of the Board of Regents of Higher Education for the two fiscal years ended June 30, 1986, and have issued our report thereon dated April 3, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting controls of the Board of Regents to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Receipts/revenue
- Purchasing and receiving
- Disbursements
- Payroll
- Inventory/property and equipment

Our study and evaluation included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the board's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified above.

The management of the Board of Regents is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements

in accordance with the Commonwealth's accounting system. Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, conducted for the limited purpose described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls of the Board of Regents taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

AUDIT RESULTS

Establishment of Licensing Fee Trust Fund

The Board of Regents of Higher Education received \$8,000 in fee revenues for the two fiscal years ended June 30, 1986 from independent institutions of higher education that were seeking an amendment to their charters or approval of a certificate of organization in the Commonwealth of Massachusetts. Instead of remitting the money to the General Fund, the Board of Regents set up a trust fund for the disbursement of these revenues.

Section 2 of Chapter 29 of the Massachusetts General Laws states:

All revenue payable to the Commonwealth shall be paid into the general fund, except revenue required by law to be paid into a fund other than the general fund and revenue for or on account of sinking funds, trust funds, trust deposits and agency funds, which funds shall be maintained and the revenue applied in accordance with law or the purposes of the fund.

It is our opinion that these funds are not given in trust by the private institutions to the Board of Regents under a trust agreement. They are fees paid in accordance with a fee schedule voted by the Board of Regents at its meeting on November 12, 1981 and should be transferred to the General Fund.

Under the board's stewardship, the funds have been used solely for the visiting committee (selected by the board) honoraria and for no other purpose.

The Board of Regents contends that it has the authority under Section 5(1) of Chapter 15A of the General Laws to set up a trust fund and use these fees to pay for the costs of the visiting committee honoraria. Section 5(1) of Chapter 15 assigns the Board of Regents the following powers and duties:

(1) Subject to its direction and approval, [the board shall] authorize the chancellor to seek, accept and administer grants, gifts and trusts for systemwide purposes from private foundations, corporations, individuals and federal agencies, which shall be administered under the provisions of section two C of chapter twenty-nine of the General Laws and disbursed at the direction of the board of regents pursuant to its authority.

This matter has been discussed by the State Comptroller's Office and the Board of Regents for quite some time. In a letter dated November 28, 1982 from the General Counsel of the Board of Regents to the Vice Chancellor of the Board of Regents, an effort was made without success for suggestions to the Vice-Chancellor in resolving the concerns raised by the Comptroller's Office, whose position was to transmit these fees to the General Fund in accordance with Section 2 of Chapter 29 of the General Laws.

Recommendations: The Board of Regents should--

1. Dissolve the trust fund and transmit the fees to the General Fund.
2. Request an appropriation or seek funds in accordance with Section 5(1) of Chapter 15 to pay for the honoraria liabilities.
3. If necessary, request an opinion from the Attorney General's Office in this matter.

Auditee's Response:

1. As a matter of Regents' fiscal policy, these funds are received in trust from petitioning institutions (and not merely sheltered by "a fee schedule") pursuant to an express authorization vote duly adopted by the Board of Regents on December 8, 1981.
2. As a matter of regulatory practice and procedure, these funds have not been retained, but are deposited in trust to the Regents Licensing Fee Trust Fund for immediate disbursement as honoraria to Regents' visiting team consultants who assist in conducting investigations in order to insure independent and objective reviews of degree-granting petitions submitted by private institutions of higher education.
3. As a matter of law, the subject funds are not revenues payable to the General Fund, but rather fees properly remitted to the Regents Licensing Fee Trust Fund and therefore are available for expenditure and disbursement without appropriation. No state supported facilities, personnel or other appropriated resources are used for the purpose of generating these fees. Under applicable provisions of the Higher Education Reorganization Act of 1980 the Board of Regents of Higher Education is the statutory successor to the former Board of Higher Education and its segmental trustee boards. (St. 1980, c. 329, s. 112; G.L.c. 15A, s. 2; St. 1980 c. 329, ss. 118 through 122; and G.L.c. 69, ss. 30 et seq.) In its status as successor, the Board of Regents is impliedly [sic] authorized to receive such fees in trust for disbursement without prior appropriation.

4. The Regents Fiscal Affairs Office has in the past and will continue to use all reasonable good faith efforts to establish non-appropriated receipt and expenditure accounts with the Comptroller's Division in order that these funds may be initially deposited in the State Treasury.
5. Even if the existing Trust fund were dissolved, these licensing fees should still be held in constructive trust for the benefit of and to pay for visiting committee honoraria owing due these consultants on the date of dissolution, and therefore no unexpended, unencumbered surplus funds from the trust would be available for remittance to the General Fund.

Auditor's Reply: We believe that the statutes cited by the board do not authorize the establishing of these fees as trust funds for the benefit of and to pay for visiting committee honoraria. Therefore, it is our opinion that the board comply with our recommendation and deposit these funds as income to the Commonwealth.

FINANCIAL STATEMENTS

Statement No. I

Comparative Statement of Expenditures
under Appropriations and Receipts
Account of Income

Two Fiscal Years Ended June 30, 1986

	<u>1986</u>	<u>1985</u>	<u>Increase (Decrease)</u>
Appropriations (Account No. 7066-0000)	\$3,107,900	\$2,776,000	\$331,900
Disbursements	\$3,022,875	\$2,602,838	\$420,037
Encumbrances	84,669	-	84,669
Expenditures	\$3,107,544	\$2,602,838	\$504,706
Reverted	356	173,162	(172,806)
	<u>\$3,107,900</u>	<u>\$2,776,000</u>	<u>\$331,900</u>
 Receipts Account of Income	 <u>\$90,895</u>	 <u>\$221,709</u>	 <u>\$(130,814)</u>
Analysis of Expenditures:			
Salaries, Other	\$2,381,254	\$2,029,507	\$351,747
Services - Nonemployees	350,380	301,415	48,965
Travel and Automotive Expenses	38,400	37,371	1,029
Advertising and Printing	7,935	22,835	(14,900)
Repairs, Replacements, and Alterations	26,250	23,868	2,382
Special Supplies and Expenses	20,486	19,298	1,188
Office and Administrative Expenses	140,729	128,548	12,181
Equipment	109,634	9,564	100,070
Rentals	32,476	30,432	2,044
	<u>\$3,107,544</u>	<u>\$2,602,838</u>	<u>\$504,706</u>
 Receipts Account of Income:			
Reimbursement for Services	\$78,877	\$113,024	\$ (34,147)
Miscellaneous	12,018	108,685	(96,667)
	<u>\$90,895</u>	<u>\$221,709</u>	<u>\$(130,814)</u>

The accompanying note is an integral
part of these financial statements.

Statement No. II

Statement of Budget and Actual
Expenditures under Appropriation and
Receipts Account of Income

Fiscal Year Ended June 30, 1986

	<u>Budget</u>	<u>Actual</u>	<u>Actual Under/(Over) Budget</u>
Appropriation (Account No. 7066-0000)	<u>\$3,107,900</u>	<u>\$3,107,544</u>	<u>\$356</u>
Expenditures:			
Salaries, Other	\$2,381,254	\$2,381,254	-
Services - Nonemployees	350,380	350,380	-
Travel and Automotive Expenses	38,400	38,400	-
Advertising and Printing	7,935	7,935	-
Repairs, Replacements, and Alterations	26,250	26,250	-
Special Supplies and Expenses	20,486	20,486	-
Office and Administrative Expenses	140,729	140,729	-
Equipment	109,990	109,634	\$356
Rentals	32,476	32,476	-
	<u>\$3,107,900</u>	<u>\$3,107,544</u>	<u>\$356</u>
Receipts Account of Income:			
Reimbursement for Services	\$95,000	\$78,877	\$16,123
Miscellaneous	-	12,018	(12,018)
	<u>\$95,000</u>	<u>\$90,895</u>	<u>\$ 4,105</u>

The accompanying note is an integral
part of these financial statements.

Statement No. III

Statement of Budget and Actual
Expenditures under Appropriation and
Receipts Account of Income

Fiscal Year Ended June 30, 1985

	<u>Budget</u>	<u>Actual</u>	<u>Actual Under/(Over) Budget</u>
Appropriation (Account No. 7066-0000)	<u>\$2,776,000</u>	<u>\$2,602,838</u>	<u>\$173,162</u>
Expenditures:			
Salaries, Other	\$2,142,600	\$2,029,507	\$113,093
Services - Nonemployees	334,480	301,415	33,065
Travel and Automotive Expenses	38,400	37,371	1,029
Advertising and Printing	22,835	22,835	-
Repairs, Replacements, and Altera- tions	26,250	23,868	2,382
Special Supplies and Expenses	23,200	19,298	3,902
Office and Automotive Expenses	142,785	128,548	14,237
Equipment	9,585	9,564	21
Rentals	35,865	30,432	5,433
	<u>\$2,776,000</u>	<u>\$2,602,838</u>	<u>\$173,162</u>
Receipts Account of Income:			
Reimbursement for Services	\$100,000	\$113,024	\$(13,024)
Miscellaneous	300,050	108,685	191,365
	<u>\$400,050</u>	<u>\$221,709</u>	<u>\$178,341</u>

The accompanying note is an integral
part of these financial statements.

Statement No. IV

Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1986

Account Number	Account Title	Appropriations	Disbursements	Encumbrances	Expenditures	Reverted	Reserved
7066-0001	Intern Program Administration	\$ 62,184	\$ 54,766	\$ 5,763	\$ 60,529	\$ 1,655	-
7066-0002	Intern Program Stipends and Payments	125,000	102,061	22,939	125,000	-	-
7066-0003	Initiation and Maintenance of Enrollment of Auditing System by the Board of Regents	100,000	83,799	15,269	99,068	932	-
7066-0004	Program for a Silver Haired Legislature	50,000	676	49,324	50,000	-	-
7066-0005	For the Commonwealth's Share of the Cost of the Compact for Education	41,600	41,600	-	41,600	-	-
7066-0099	Judgment in Bristol Superior Court, Civil Action No. 13257	18,500	-	18,500	18,500	-	-
7066-0110	Collaborative Projects - Board of Regents Evaluators (Allocation of Account No. 7100-0110)	40,710	31,305	9,405	40,710	-	-
7070-0004	Collaborative Engineering Program to be Administered by the Board of Regents	487,000	422,136	-	422,136	64,864	-
7070-0006	General Scholarships	15,225,760	13,934,521	57,625	13,992,146	1,233,614	-
7070-0060	Matching Scholarship Program - 1	4,000,000	4,000,000	-	4,000,000	-	-
7070-0065	Reserve for the Administration of School Programs	114,769,416	35,058,236	-	35,058,236	-	\$79,711,180
7070-0066	Scholarship Program for Master of Science Degree in Nursing	300,000	-	-	-	-	300,000
7070-0070	Administration of the Scholarship Program	575,000	32,591	235,519	268,110	-	306,890

Statement No. IV (Continued)

Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1986

Account Number	Account Title	Appropriations	Disbursements	Encumbrances	Expenditures	Reverted	Reserved
7070-0071	Reserve for Expenses of Administration of the Scholarship Program	\$ 150,000	-	-	-	-	\$ 150,000
7070-0075	Expenses of a Statewide Youth Awareness Program	90,000	-	-	-	-	90,000
7070-0020	Expenses of New England Board of Higher Education and of the Members	326,669	\$ 326,669	-	\$ 326,669	-	-
7077-0021	Payment to Universities on Acceptance of Massachusetts Students into Medical and Health Programs	1,496,721	1,448,721	\$ 48,000	1,496,721	-	-
7077-0022	Payment to Universities on Acceptance of Massachusetts Students into Therapy Programs	371,800	371,800	-	371,800	-	-
7077-0023	Commonwealth's Share of Development and Operating Cost of Tufts School of Veterinary Medicine	4,450,000	600,000	3,000,000	3,600,000	-	850,000
7100-0100	Reserve for the Administration of the System of Institutions of Higher Education	529,900,000	529,900,000	-	529,900,000	-	-
7100-0110	Reserve for the Establishment of Collaborative Education Between the Institutions of Higher Education and Public Elementary and Secondary Schools of the Commonwealth	3,850,000	3,850,000	-	3,850,000	-	-

Statement No. IV (Continued)

Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1986

Account Number	Account Title	Appropriations	Disbursements	Encumbrances	Expenditures	Reverted	Reserved
7100-0123	Health and Welfare for System of Institute of Public Higher Education (Allocation of Account No. 7100-0100)	\$ 2,784,100	\$ 2,761,261	\$ 22,839	\$ 2,784,100	-	-
7100-0200	Reserve for Data Processing and Information Systems of Higher Education	1,015,000	1,015,000	-	1,015,000	-	-
7100-9500	Reserve for Purchase of Scientific, Computer, and Other Educational Equipment	12,500,000	-	-	-	-	\$12,500,000
7100-9504	For the Purchase of Scientific, Technological, and Other Educational Reference Material for Libraries	5,000,000	5,000,000	-	5,000,000	-	-
7100-9505	For One-time Purchases to Improve Library Collections at the Universities	3,000,000	-	-	-	-	3,000,000
7100-9600	Reserve for Educational Equipment and Supplies - Academic Program Improvement	3,000,000	-	-	-	-	3,000,000
7100-9604	Program of Assistance for Students from Disadvantaged Environments	2,958,284	2,938,683	-	2,938,683	-	19,601

Statement No. IV (Continued)

Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1986

<u>Account Number</u>	<u>Account Title</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Encumbrances</u>	<u>Expenditures</u>	<u>Reverted</u>	<u>Reserved</u>
7100-9704	Commonwealth's Contribution to- ward Federal Student Loan Programs and Federal Work Study Programs for State Col- leges and Community Colleges	\$ 3,849,152 <u>\$710,536,896</u>	\$ 3,849,152 <u>\$605,822,977</u>	- <u>\$3,485,183</u>	\$ 3,849,152 <u>\$609,308,160</u>	- <u>\$1,301,065</u>	- <u>\$99,927,671</u>

The accompanying note is an integral
part of these financial statements.

Statement No. V

Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1985

Account Number	Account Title	Appropriations	Expenditures	Reverted	Reserved
7066-0001	Intern Program Administration	\$ 61,142	\$ 56,999	\$ 4,143	-
7066-0002	Intern Program Stipends and Payments	125,000	118,917	6,083	-
7066-0003	Initiation and Maintenance of Enrollment of Auditing System by the Board of Regents	100,000	76,097	53	\$ 23,850
7066-0005	For the Commonwealth's Share of the Cost of the Compact for Education	41,600	41,600	-	-
7066-0110	Collaborative Projects - Board of Regents Evaluators (Allocation of Account No. 7100-0110)	3,811,854	3,721,144	-	90,710
7070-0004	Collaborative Engineering Program to be Administered by the Board of Regents	492,500	255,500	-	237,000
7070-0006	General Scholarships	30,223,811	14,998,051	-	15,225,760
7070-0060	Matching Scholarship Program - 1	8,000,000	4,000,000	-	4,000,000
7070-0065	Reserve for the Administration of School Programs	69,699,939	29,930,523	-	39,769,416
7070-0070	Administration of the Scholarship Program	275,000	-	-	275,000
7077-0020	Expenses of New England Board of Higher Education and Expenses of the Members	309,906	309,096	-	-
7077-0021	Payment to Universities on Acceptance of Massachusetts Students into Medical and Health Programs	1,448,721	1,448,721	-	-
7077-0022	Payment to Universities on Acceptance of Massachusetts Students into Therapy Programs	371,800	371,800	-	-
7077-0023	Commonwealth's Share of Development and Operating Cost of Tufts School of Veterinary Medicine	3,325,290	3,325,290	-	-
7100-0100	Reserve for the Administration of the System of Institutions of Higher Education	425,822,527	425,822,526	1	-

Statement No. V (Continued)

Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1985

Account Number	Account Title	Appropriations	Expenditures	Reverted	Reserved
7100-0104	Health and Welfare Fund Coalition U (Allocation of Account No. 7100-0100)	\$ 478,057	\$ 478,057	-	-
7100-0105	Career Training - Development (Allocation of Account No. 7100-0100)	36,850	36,850	-	-
7100-0106	Health and Welfare Coalition 2 (Allocation of Account No. 7100-0100)	76,976	76,976	-	-
7100-0107	Health and Welfare Fund USA/MTA (Allocation of Account No. 7100-0100)	157,242	157,242	-	-
7100-0108	Health and Welfare Fund - MTA/NEA (Allocation of Account No. 7100-0100)	322,151	322,151	-	-
7100-0109	Health and Welfare Fund - MSP/FSU/ MTA/NEA (Allocation of Account No. 7100-0100)	363,168	363,168	-	-
7100-0110	Reserve for the Establishment of Collaborative Education Between the Institutions of Higher Education and Public Elementary and Secondary Schools of the Commonwealth				
7100-0111	Health and Welfare (Allocation of Account No. 7100-0100)	3,700,000	3,192,311	-	\$ 507,689
7100-0112	Health and Welfare (Allocation of Account No. 7100-0100)	97,136	97,136	-	-
7100-0113	Health and Welfare (Allocation of Account No. 7100-0100)	21,164	21,164	-	-
7100-0114	Health and Welfare (Allocation of Account No. 7100-0100)	54,496	54,496	-	-
7100-0115	Reserve for Planning, Initiation, and Maintenance of New Satellite Campus	507,161	507,161	-	-
		1,122,000	786,500	\$335,500	-

Statement No. V (Continued)Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1985

<u>Account Number</u>	<u>Account Title</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Reverted</u>	<u>Reserved</u>
7100-0116	Massachusetts Field Center (Allocation of Account No. 7100-0110)	\$ 106,534	\$ 68,468	-	\$ 38,066
7100-0117	AFL-CIO Educational Services Unit Health and Welfare Trust (Allocation of Account No. 1599-3224)	9,984	9,984	-	-
7100-0118	Southeastern Massachusetts University Health and Welfare AFL/CIO (Allocation of Account No. 7100-0100)	68,646	68,646	-	-
7100-0119	Community College Council MTA/NEA Health and Welfare Fund (Allocation of Account No. 7100-0100)	374,140	374,140	-	-
7100-0200	Reserve for Data Processing and In- formation Systems for Higher Educa- tion	1,015,000	1,015,000	-	-
7100-9504	For the Purchase of Scientific, Tech- nological, and Other Educational Re- ference Material for Libraries	4,000,000	4,000,000	-	-
7100-9604	Program of Assistance for Students from Disadvantaged Environments	2,828,284	2,799,015	\$ 29,269	-
7100-9704	Commonwealth's Contribution toward Federal Student Loan Programs and Federal Work Study Programs for State Colleges and Community Col- leges	3,849,152	3,849,152	-	-
7100-9800	Payment to Town of Bridgewater by State College at Bridgewater for Cost of Town Sewer	150,000	150,000	-	-

Statement No. V (Continued)Statement of Expenditures under Other Appropriations

Fiscal Year Ended June 30, 1985

<u>Account Number</u>	<u>Account Title</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Reverted</u>	<u>Reserved</u>
7105-0000	Final Settlement of Pasto vs. Board of Regents - Suffolk Superior Court No. 8335	\$ 17,800 <u>\$563,464,221</u>	- <u>\$502,903,881*</u>	- <u>\$375,049</u>	\$ 17,800 <u>\$60,185,291</u>

*Includes disposition of 1985 accounts payable.

The accompanying note is an integral
part of these financial statements.

Statement No. VI

Statement of Bond Funds

Fiscal Year Ended June 30, 1986

Account Number	Account Title	Balance Forward and Appropriations	Other Credits	Total Available	Expenditures	Encumbrances	Reserved
7066-8841	Reserve for Purchase and Installation of Equipment Including Turnings and Equipment - C723 - 1983	\$ 141,934	-	\$ 141,934	-	-	\$ 141,934
7066-8843	Reserve for Purchase of Data Processing Equipment - C723 - 1983	2,000,000	\$(2,000,000)	-	-	-	-
7070-8721	Master Plan - All Public Institutions of Higher Education	40,900	-	40,900	-	\$ 40,900	-
7070-8811	Program of Special Repairs and Improvements of Institutions of Higher Education	1,824,526	(86,440)	1,738,086	\$986,879	95,920	655,287
7070-8812	Purchase and Installation of Certain Equipment for Institutions of Higher Education	202,800	(171,000)	31,800	-	-	31,800
7070-8816	Purchase and Installation of Certain Equipment (Allocation of Account No. 7070-8812)	171,000	-	171,000	-	-	171,000
		<u>\$4,381,160</u>	<u>\$(2,257,440)</u>	<u>\$2,123,720</u>	<u>\$986,879</u>	<u>\$136,820</u>	<u>\$1,000,021</u>

The accompanying note is an integral part of these financial statements.

Statement No. VII

Statement of Bond Funds

Fiscal Year Ended June 30, 1985

Account Number	Account Title	Balance Forward and Appropriations	Other Credits	Total Available	Expenditures	Encumbrances	Reserved
7066-8841	Reserve for Purchase and Installation of Equipment Including Furnishings and Equipment - C723 - 1983	\$1,273,383	\$(1,131,449)	\$ 141,934	-	-	\$ 141,934
7066-8842	Reserve for the Purchase and Installation of Special Equipment Including Furnishings and Equipment	2,000,000	(2,000,000)	-	-	-	-
7066-8843	Reserve for Purchase of Data Processing Equipment - C723 - 1983	2,000,000	-	2,000,000	-	-	2,000,000
7070-8721	Master Plan - All Public Institutions of Higher Education	40,900	-	40,900	-	\$ 40,900	-
7070-8811	Program of Special Repairs and Improvements of Institutions of Higher Education	2,761,790	-	2,761,790	\$937,264	840,190	984,336
7070-8812	Purchase and Installation of Certain Equipment for Institutions of Higher Education	202,800	-	202,800	-	-	202,800
7070-8813	Replacement of the Primary Electrical Cable (Allocation of Account No. 7070-8811)	3,346	-	3,346	3,346	-	-
		<u>\$8,282,219</u>	<u>\$(3,131,449)</u>	<u>\$5,150,770</u>	<u>\$940,611</u>	<u>\$881,090</u>	<u>\$3,329,069</u>

The accompanying note is an integral part of these financial statements.

Statement No. VIII

Statement of Trust Funds
Receipts and Disbursements

Two Fiscal Years Ended June 30, 1986

Account Number	Account Title	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance
		July 1, 1984			June 30, 1985			June 30, 1986
7066-6001	Exxon Education Foundation Grant	\$ 5,916	-	\$ 5,179	\$ 737	-	\$ 503	\$ 234
7066-6002	Program of Continuing Education - Administration	171,218	\$ 24,024	192,757	2,485	-	2,485	-
7066-6003	Regents' Extraordinary Expenses Trust	3,402	2,314	3,889	1,827	\$ 1,000	1,999	828
7066-6004	Development of on-line Higher Education Personnel and Budget Database	394	-	368	26	-	-	26
7066-6005	Program - Strengthening Through Follow-up	35,938	-	35,319	619	-	-	619
7066-6006	Regents' Central Services Trust	108,031	-	1,665	106,366	209,274	196,627	119,013
7070-6606	Technical Education Fund - Commonwealth Endorsement Payments	41,564	-	-	41,564	14,290	-	55,854
7070-6607	Technical Education Fund - U.S. Endowment (No. 6562)	10,950	-	10,950	-	10,950	10,950	-
7070-6608	Todd Teachers' College Fund Investments and Payments	34,290	4,261	1,088	37,463	3,690	70	41,083
7070-6610	Elizabeth P. Sohler Library Fund Investments and Payments	8,578	-	290	8,288	871	-	9,159

Statement No. VIII (Continued)

Statement of Trust Funds
Receipts and Disbursements

Two Fiscal Years Ended June 30, 1986

Account Number	Account Title	Balance July 1, 1984	Receipts	Disbursements	Balance June 30, 1985	Receipts	Disbursements	Balance June 30, 1986
7070-6622	Gustanus A. Hinkley Free Scholarship - Investments	\$ 5,000	-	-	\$ 5,000	-	-	\$ 5,000
7070-6626	Technical Education Fund - Commonwealth Endowment - Pur- chase of Investments	142,000	-	-	142,000	-	-	142,000
7070-6627	Technical Education Fund - U.S. Endorse- ment - Purchase of Investments	219,000	-	-	219,000	-	-	219,000
7070-6628	Todd Teachers' College Fund - Investments	12,100	-	-	12,100	-	-	12,100
7101-6100	State College System/ Computer Project	14,871	-	-	14,871	-	-	14,871
7107-0021	Division of State Col- leges - Program of Continuing Studies	48	-	-	48	\$ 10,739	-	10,787
7107-0022	Boston - Continuing Education Trust Fund	262	-	-	262	-	\$ 262	-
7501-6545	Massachusetts Board of Community Colleges							
	Continuing Education Trust	1,117	-	-	1,117	-	-	1,117
7501-6600	Fund for Advancement of Education Payments	22	-	-	22	-	-	22
7501-6601	Vocational Education Program - Payments	777	-	-	777	-	-	777

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Statement No. VIII (Continued)

Statement of Trust Funds
Receipts and Disbursements

Two Fiscal Years Ended June 30, 1986

Account Number	Account Title	July 1, 1984			June 30, 1985			June 30, 1986		
		Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements
7501-6605	Vocational Education Program - 1973	\$ 996	-	-	\$ 996	-	-	\$ 996	-	-
7501-6606	Vocational Education Program - 1975	51	-	-	51	-	-	51	-	-
7501-6611	Joint Education Program for Mental Health Aides	915	-	-	915	-	-	915	-	-
7501-6612	Regional Community Colleges Scholarship Fund - Subject to Appropriation	9,401 3,743	-	-	9,401 3,393	-	-	9,401 2,593	-	-
-	Licensing Fee Trust Fund	<u>\$830,584</u>	<u>\$ 4,600</u>	<u>\$ 4,950</u>	<u>\$ 4,950</u>	<u>\$ 3,400</u>	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ 3,400</u>	<u>\$ 4,200</u>
			<u>\$35,199</u>	<u>\$256,455</u>	<u>\$609,328</u>	<u>\$254,214</u>	<u>\$217,096</u>	<u>\$646,446</u>		

The accompanying note is an integral
part of these financial statements.

NOTE TO FINANCIAL STATEMENTS

Significant Accounting Policies

According to Chapter 7, Sections 16-17, of the General Laws, as amended, the State Comptroller is responsible for the Commonwealth's accounting system. The Comptroller establishes and maintains funds as authorized or mandated by the various provisions of the General Laws. The State Treasurer, a constitutional officer, has custody of and manages the Commonwealth's cash and investments.

The financial statements in this report refer to specific accounts within the Commonwealth's fund structure. The Board of Regents is required to follow accounting and financial reporting policies prescribed by the Commonwealth. These policies differ in certain respects from generally accepted accounting principles as applicable to governmental units. The following is a summary of the Commonwealth's significant policies as they pertain to the Board of Regents.

Basis of Accounting: The Board of Regents uses a limited accrual basis of accounting. Receipts are recognized when received, and expenditures, with the exception of year-end encumbrances, are recorded on a cash basis. At the close of the fiscal year, all encumbrances (expenditure commitments) against maintenance appropriation accounts are recorded as expenditures. The State Comptroller considers these encumbrances as accounts payable, which, if not expended, will revert to the Commonwealth on December 31.

The Commonwealth's accounting system requires state agencies to expense, rather than capitalize, purchases of fixed assets.

SUPPLEMENTARY SCHEDULE

Federal Grants
Receipts and Disbursements

Two Fiscal Years Ended June 30, 1986

Account Number	Grant Title	Balance July 1, 1984	Receipts	Disbursements	Balance June 30, 1985	Receipts	Disbursements	Balance June 30, 1986
7066-6007	Title II - Education for Economic Security Act	-	-	-	-	\$ 580,708	\$ 578,708	\$ 2,000
7070-0015	Community Services and Continuing Education Program	\$ 56	-	-	\$ 56	-	-	56
7070-0017	State Student Incentive Grant Program	-	\$2,442,106	\$2,442,106	-	2,458,895	2,458,895	-
7070-9720	Massachusetts Post-Secondary Education Commission	1	-	-	1	-	-	1
7070-9721	Costs of the Commission (Allocation of Account No. 7070-9720)	24,527	-	-	24,527	-	-	24,527
7070-9722	Administrative Expenses - Title VI-A and Title VII-A (Allocation of Account No. 7070-9720)	451	-	-	451	-	-	451
7070-9726	Education Information Center - Administration	5,535	(3,108)	-	2,427	-	-	2,427
7070-9727	Title I of Post-Secondary Planning Commission	1,453	3,108	4,561	-	-	-	-

SUPPLEMENTARY SCHEDULE (Continued)

Federal Grants
Receipts and Disbursements

Two Fiscal Years Ended June 30, 1986

Account Number	Grant Title	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance
		July 1, 1984			June 30, 1985			June 30, 1986
7070-9728	Information Center Program	15	-	-	15	-	-	15
7070-9729	Study of American Faculty as Resource Available for Meeting Emerging Issues in Higher Education	\$ 938	-	\$ 248	\$ 690	-	\$ 212	\$ 478
		<u>\$32,976</u>	<u>\$2,442,106</u>	<u>\$2,446,915</u>	<u>\$28,167</u>	<u>\$3,039,603</u>	<u>\$3,037,815</u>	<u>\$29,955</u>

SUPPLEMENTARY INFORMATION

Audit Review

At the conclusion of the audit, a draft of this report was reviewed with Joseph M. Finnegan, Vice-Chancellor for Administration and Management of the Board of Regents of Higher Education.

ORGANIZATION

The Board of Regents of Higher Education was established by Chapter 329 of the Acts of 1980, and its membership, powers and duties, and responsibilities are defined under the provisions of Chapter 15A of the General Laws, as amended. The purpose and function of the Board of Regents is to "develop, foster, and advocate a comprehensive system of public higher education of high quality, flexibility, responsiveness and accountability" and to "encourage an economical and effective use of the resources of the Commonwealth with particular emphasis on the development of regional and local consortia and related cooperative arrangements by and between public and independent institutions of higher education."

The Board of Regents of Higher Education replaced several boards that had previously coordinated the institutions within the state's higher education system. These boards were the Board of Higher Education, the Board of Trustees of State Colleges, the Board of Trustees of Regional Community Colleges, the Board of Trustees of the University of Lowell, the Board of Trustees of the University of Massachusetts, and the Board of Trustees of Southeastern Massachusetts University. The Board of Regents also replaced the Executive Office of Educational Affairs.

The board consists of 16 members appointed by the Governor to five-year terms. The office of the Board of Regents of Higher Education consists of a Chancellor and employees appointed by the board. The members of the board serve without compensation, and no member may serve for more than two consecutive terms or be principally employed by any public educational institution or by the Commonwealth. The Governor appoints the chairperson from the board membership. As of January 5, 1987, the board was organized as follows:

Board of Regents of Higher Education

<u>Regent</u>	<u>Date of Appointment</u>	<u>Term Expires</u>
L. Edward Lashman, Chairman	July 1, 1986	August 1, 1990
David J. Beaubien	August 1, 1980	August 1, 1988
Mary Lou Anderson	July 10, 1984	August 1, 1988
Nicholas Boraski	November 1, 1982	August 1, 1989
Gerard F. Doherty	November 1, 1982	August 1, 1987
Paul S. Doherty	August 1, 1986	August 1, 1991
J. John Fox	September 14, 1981	August 1, 1989
George H. Ellison	July 10, 1985	August 1, 1990
Kathleen Harrington, R.S.M.	July 10, 1984	August 1, 1988
Ellen C. Guiney	August 1, 1986	August 1, 1991
Paul Marks	July 10, 1984	August 1, 1990
Hassan Minor, Ph.D.	July 10, 1984	August 1, 1989
Elizabeth B. Rawlins	March 9, 1984	August 1, 1988
Edward T. Sullivan	November 1, 1982	August 1, 1987
Joseph M. Henson	August 1, 1986	August 1, 1991
Norma J. Markey, Student Representative	May 28, 1986	April 30, 1987

The board performs the following functions:

1. Confers academic degrees through state colleges and universities.
2. Approves admission and program standards for state institutions.
3. Develops tuition plans for all state institutions and sets enrollment levels.
4. Administers the State Scholarship Programs.
5. Accounts for the property, real and personal, occupied or owned by the state.
6. Receives allotments under federal programs and disburses these funds to the public institutions.

7. Maintains an accounting system as required by the State Comptroller.
8. Establishes post-audit procedures and reviews fiscal operations of the public institutions.
9. Fixes the classification, title, and salary of the Chief Executive Officer, other officers, and professional staff of the University of Massachusetts, state colleges, University of Lowell, Southeastern Massachusetts University, and regional community colleges.
10. Prepares annual budget requests for the state's higher education system and submits these requests to the state budget director.
11. Allocates budgeted funds to the state colleges and universities.

The Board of Regents of Higher Education is responsible for all post-secondary education in the public sector and is the single governing authority for the system of public institutions of higher education, which includes:

The University of Massachusetts; The University of Lowell; Southeastern Massachusetts University; Bridgewater State College; Fitchburg State College; Framingham State College; The Massachusetts College of Art; The Massachusetts Maritime Academy; North Adams State College; Salem State College; Westfield State College; Worcester State College; Berkshire Community College; Bristol Community College; Bunker Hill Community College; Cape Cod Community College; Greenfield Community College; Holyoke Community College; Massachusetts Bay Community College; Massasoit Community College; Middlesex Community College; Mount Wachusett Community College; Northern Essex Community College; North Shore Community College; Quinsigamond Community College; Roxbury Community College; and Springfield Technical Community College.

The Chancellor of the Board of Regents, Dr. Franklyn G. Jenifer, appointed September 14, 1986, is also the board's Chief Executive Officer. He is accountable to the board and responsible for the day-to-day operations of the board's office and staff. Chapter 15A, Section 4, of the Massachusetts General Laws, as amended, establishes the Chancellor's salary, currently \$65,000 annually. In addition, the Chancellor currently receives \$1,500 per month (\$18,000 annually) for housing expenses.

